



House of Representatives

General Assembly

File No. 207

January Session, 2013

Substitute House Bill No. 5774

House of Representatives, March 27, 2013

The Committee on Children reported through REP. URBAN of the 43rd Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT ESTABLISHING A TAX CREDIT FOR SUPPORT OF EXTENDED LEARNING OPPORTUNITY PROGRAMS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective July 1, 2013, and applicable to income years*
2 *commencing on or after January 1, 2013*) (a) As used in this section:

3 (1) "Taxpayer" means a person or business entity subject to tax
4 under chapter 207, 208, 212 or 229 of the general statutes;

5 (2) "Income year" means, with respect to a person or business entity
6 subject to the insurance premiums tax under chapter 207 of the general
7 statutes, the corporation business tax under chapter 208 of the general
8 statutes, the utility companies tax under chapter 212 of the general
9 statutes or the income tax under chapter 229 of the general statutes, the
10 income year as determined under each of said chapters, as the case
11 may be; and

12 (3) "Extended learning opportunity program" means an

13 extracurricular learning program sanctioned by a local or regional
14 board of education pursuant to section 10-15 of the general statutes
15 that provides academic, artistic, athletic or social education to students
16 beyond normal school hours.

17 (b) (1) There is established an extended learning opportunity tax
18 credit program whereby a taxpayer may be allowed a credit against
19 the tax imposed under chapter 207, 208, 212 or 229 of the general
20 statutes, other than the liability imposed by section 12-707 of the
21 general statutes.

22 (2) The tax credit shall be in an amount equal to one hundred per
23 cent of the amount donated by such taxpayer to an extended learning
24 opportunity program, provided (A) the credit shall not exceed fifty
25 thousand dollars for any taxpayer, and (B) the total amount of credits
26 granted to all taxpayers under this section shall not exceed two million
27 dollars in any one fiscal year.

28 (3) The taxpayer shall claim the credit in the income year in which it
29 is earned. Any credit not claimed by the taxpayer in an income year
30 shall expire and shall not be refundable.

31 (c) If the taxpayer is an S corporation or an entity treated as a
32 partnership for federal income tax purposes, the tax credit may be
33 claimed by the shareholders or partners of such taxpayer. If the
34 taxpayer is a single member limited liability company that is
35 disregarded as an entity separate from its owner, the tax credit may be
36 claimed by the limited liability company's owner.

37 (d) For tax credits claimed against the liability imposed by chapter
38 229 of the general statutes, the amount of the tax credit allowed by this
39 section shall not exceed the amount of tax due from the taxpayer under
40 said chapter, other than section 12-707 of the general statutes.

<p>This act shall take effect as follows and shall amend the following sections:</p>
--

Section 1	<i>July 1, 2013, and applicable to income years commencing on or after January 1, 2013</i>	New section
-----------	--	-------------

Statement of Legislative Commissioners:

In section 1(d) the reference to section 12-207 was changed to 12-707 for accuracy.

KID *Joint Favorable Subst. -LCO*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 14 \$	FY 15 \$
Revenue Serv., Dept.	GF - Revenue Loss	Up to 2.0 million	Up to 2.0 million
Revenue Serv., Dept.	GF - Cost	30,000	None

Municipal Impact: None

Explanation

The bill establishes a new tax credit program for donations to certain extracurricular learning programs for income years starting on or after January 1, 2013. This results in an annual General Fund revenue loss of up to \$2.0 million beginning in FY 14, and a one-time cost to the Department of Revenue Services (DRS) of \$30,000 in FY 14.

The bill limits the aggregate amount of credits available under the program to \$2.0 million per fiscal year, in increments of no more than \$50,000 per taxpayer.¹ Assuming the credit utilization trend is similar to the Neighborhood Assistance Act tax credit program, which provides a tax credit for contributions to municipal and non-profit organizations, the bill would result in a revenue loss of approximately \$1.95 million annually.²

The one-time cost of \$30,000 incurred by the DRS in FY 14 includes \$20,000 for technical/programming changes to the online Taxpayer

¹ It is unclear how these limits would be enforced as no mechanism is provided in the bill. To the extent such enforcement is provided by a state agency, additional costs could be incurred.

² Under the Neighborhood Assistance Act program, an average of 100 credits at an approximate value of \$19,500 each has been utilized from FY 02 – FY 12.

Service Center (TSC), and \$10,000 for form alteration, scanning, and printing.

The Out Years

The annualized ongoing revenue loss identified above would remain constant into the future as the aggregate credit limit does not change.

Sources: Department of Revenue Services Annual Reports FY 01-FY 12

OLR Bill Analysis**HB 5774*****AN ACT ESTABLISHING A TAX CREDIT FOR SUPPORT OF
EXTENDED LEARNING OPPORTUNITY PROGRAMS.*****SUMMARY:**

This bill establishes a tax credit for individuals and companies that donate money to extended learning opportunity programs, which are extracurricular learning programs sanctioned by local or regional school boards that provide academic, artistic, athletic, or social education to students beyond normal school hours.

The tax credit, which is equal to 100% of the donated amount, applies against the (1) insurance premium, (2) corporation, (3) utility company gross earnings, and (4) personal income tax, but not the withholding tax.

No taxpayer may claim more than \$50,000 in tax credits (it is not clear whether this is an annual or lifetime limit). And the total amount of credits that may be claimed per fiscal year annually may not exceed \$2 million.

EFFECTIVE DATE: July 1, 2013 and applicable to income years beginning on or after January 1, 2013

**TAX CREDIT FOR DONATIONS TO EXTENDED LEARNING
OPPORTUNITY PROGRAMS**

The bill requires the taxpayer to claim the credit in the income year in which it is earned. Unused credits expire and are not refunded.

If the taxpayer is an S corporation or an entity treated as a partnership for federal income tax purposes, the credit can be claimed by the shareholders or the taxpayer's partners. If the taxpayer is a single member limited liability company (LLC) that is not regarded as

an entity separate from its owner, the credit may be claimed by the LLC's owner.

The bill provides that credits claimed against the personal income tax may not exceed the amount of the tax owed (i.e., the credit is not refundable).

COMMITTEE ACTION

Children Committee

Joint Favorable

Yea 12 Nay 0 (03/12/2013)